PHILIP MORRIS, INC.

LAW DEPARTMENT MEMORANDUM

RICHMOND, VIRGINIA

Dr. Seligman — for your info.

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1976

H. WAKEHAM

To: A. Holtzman, Esq. 31 December 1976

From: A. Palmer, Jr.

Subject: ANNUAL REPORT OF PATENT ACTIVITIES

As my first year-end report, this will be based on personal observations for the period of April 19 - December 31, 1976.

I believe there is no pending litigation on patent matters other than an interference proceeding in the U. S. Patent Office involving applications of Airco and Philip Morris on expanding tobacco using carbon dioxide.

During 1976 there were 19 original U. S. patent applications filed and 12 U. S. patents issued. Four of the applications filed were prepared in-house and the remaining ones by outside counsel; all but 3 by Watson, Leavenworth. The present backlog of cases under active consideration for preparing and filing a patent application (19 total) includes about 13 cases at Watson, Leavenworth on the basis of fairly recent information from Howard. Preliminary drafts have been completed in some of those cases.

Foreign patent activity remained at a high level, and efforts are being made to review older cases as fees become due to see if they are worth maintaining.

Staffwise we are getting along well with the interim help of Thelma Heatwole and Mike Sarofeen as consultants. Thelma was scheduled to leave at year end, but will continue for a few weeks to complete work being done to assist Howard Kothe with the Airco interference. Susan Hutcheson has taken hold of a busy work load which she is handling very well, and Les Inskeep continues as a great help to me in every respect. We could not hope for a better secretary than Chris Hardin, whose energy and dedication are remarkable.

During the early months of 1977 I hope to find one additional person for permanent staff to take up the slack as our two consultants are phased out. Our formal commitment to Mike Sarofeen extends only to June 30, and for only 15 days per month.

There are a number of problems of a general nature I'd like to mention briefly, with the thought of our discussing effective solutions as soon as possible:

(1) I have no power of attorney in our pending U. S. patent applications except those few we have filed ourselves. There is no point in going to the trouble and expense of changing the power of record in each case, since most will issue as patents in a year or two. But

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beginning with 1977 I propose to undertake here the largely clerical function of preparing all of the formal papers (declarations, powers of attorney and assignments) for new applications, and to have the principal power of record. In those cases where outside counsel are involved, an associate power may be included or supplied later as needed. Then we can keep complete docket records of all our pending applications, whether prepared here or by Watson, Leavenworth or other outside counsel. As things now stand we have no way to double check due dates and must rely on others entirely. That leaves to much room for mistakes.

(2) We continue to benefit from the flexibility of occasionally having cases prepared by outside counsel other than Watson, Leavenworth. The experiment of a year ago has worked quite well, and I'd like to continue with no more than about 5 or 6 cases a year on this basis. The principal advantage of this approach is getting specialty work done in a hurry, particularly in areas of activity which are out of the ordinary routine for us.

(3) You may have noticed in Dr. Inskeep's annual statistical summary of December 14 the rather surprising item of 57 "searches made in-depth" during the year. As you can see from this, a great deal of our time and effort is directed to conducting and evaluating such searches, both for our own purposes in connection with patent application activities and in response to requests from R & D personnel and others. Most of these searches are conducted in-house using our computerized data base which has been developed over a period of at least 10 years and is continually being updated and improved. Others are done outside, either by search specialists known to us or through subscription services used by the TIF group here at R & D. Consequently, we would appreciate having reconsideration of your recent instruction not to order outside searches except through Watson, Leavenworth. Being limited to that extent would put us at a great disadvantage in trying to respond quickly to the many day-to-day inquiries we get.

(4) Since we are still trying to achieve the desired coordination and optimum balance between internal patent operations and our outside patent firm, I would like to have authorization to spend up to about $2,500 plus travel expenses to bring in an "elder statesman" corporate patent manager to review our situation and make recommendations. I have in mind for this purpose Mr. George L. Church, recently retired as Director of Patents and Licensing of Sun Oil. He is presently "of counsel" to Dorfman, Herrell & Skillman. I understand that Sun's situation was comparable to ours in many respects, and I believe it would be helpful to learn more about their approach. One thing I would hope to gain from such a contact is to map out a 5-year projection of our manpower and budget needs. As soon as I hear from you about this, I'll contact George to see when he might spend a day or two with us for an initial visit.

Finally, I enclose a copy of my mid-year memo to Dick Thomson on related matters.

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Enclosure

cc: T. F. Ahrensfeld, Esq. w/enc.

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